

Wholesale & Retail LEADERSHIP CHAIR

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INFORMAL AND SMME RETAILERS IN SOUTH AFRICA

Despite the support extended to the small business sector in South Africa, the growth and survival rates of informal and small businesses are lower than expected.

Lead researcher Mlenga Jere of the University of Cape Town Graduate School of Business and researchers Albertina Jere and Jonathan Aspeling of the Department of Retail Business Management at the Cape Peninsula University of Technology conducted research into business owner and stakeholder perceptions of barriers and enablers of the start-up, survival, and growth of informal and small businesses in the retail sector.

Evidence suggests that South Africa's performance in entrepreneurial and business activity ranks below average, and research shows that 70-80% of small businesses in South Africa fail.

The researchers said the small business sector, which is predominantly retail-based, faces many internal and external challenges ranging from poor business management skills to changing consumer behaviour and increasing competition. However, there are also opportunities available for small businesses including support from both private and public sector support institutions.

The main barriers were identified as increasing competition, inappropriate and poor business skills, lack of collaboration, and aspects of the policy and regulatory environment. Other barriers included lack of funding, poor positioning, poor internal controls, lack of access to markets, insufficient market research, failure or unwillingness to take business development assistance and inadequate or inappropriate use of technology.

Enabling factors identified included the generally conducive business environment, access to finance for good business ideas, and availability of business support services.

The research suggests that up to 70% of small businesses fail because of internal factors, including lack of or poor business management skills, inadequate or poor shelter and services, poor knowledge about available business development resources, lack of business management experience, lack of collaboration, and funding problems. The researchers made recommendations to address issues relating to skills development, shelter and service provision, business development resources, mentorship programmes, collaboration, funding, and business registration.

These include training programmes and creating awareness through talk shows on radio programmes and trade fairs and exhibitions. The researchers encouraged the formation of trade associations to promote collaboration. They also made recommendations on funding, and called for awareness campaigns to encourage small business owners to register their companies.

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